



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - Public distribution

Date: 12/19/2007

GAIN Report Number: TW7044

Taiwan

Retail Food Sector

Hypermarket Updates

2007

Approved by:

Keith Schneller, Director
Agricultural Trade Office
American Institute in Taiwan

Prepared by:

Amy Chang-Chien Hsueh, Marketing Specialist

Report Highlights:

Costco recently opened its fifth hypermarket store in Taiwan which received overwhelming response from Taiwan consumers.

Taiwan's hypermarket chains import food and beverage directly and also purchase from local importers, wholesalers, and manufacturers. The current tendency is to increase the volume of direct imports to avoid the higher costs related to middlemen and extra handling fees.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Taipei ATO [TW2]
[TW]

The U.S.-based Costco Wholesale launched its fifth store in Taiwan in early November 2007. Based on local press accounts, the Costco Taichung Store achieved a world-wide record for a single Costco store with a total of over 100,000 fee-based membership cards including household cards being issued during the promotion for the grand opening of the new store. The local *Commercial Times* reported in November 2007:

“Costco Taichung has unexpectedly recruited over 100,000 members since its grand opening in early November 2007. With the Taichung Store coming into operation, Costco now has five stores in Taiwan and plans to expand to 10 outlets island-wide by 2011. Despite the overall hypermarket industry slowdown, Costco Taiwan’s performance exceeded expectations, making a record high of total sales of over NT\$15 billion (approx. US\$461 million) sales in 2006 (August 2006-July 2007); Its Neihu (Taipei) Store also ranked as the ‘king of hypermarkets’ in Taiwan, in terms of sales generated (around US\$154 million), in 2006. This achievement shall be attributed to the leadership of CEO Richard Chan, who established first Costco store with Taiwan’s President Enterprise Group in Southern Taiwan in 1997.

Costco membership is grouped into two categories: general members and commercial members. In general, most of Taiwan’s hypermarkets carry nearly 20,000 items with the exception of Costco which uses a very unique marketing strategy of displaying only 4,000 items in its stores. However, its single purchase average is approximately US\$100, two to three times the other hypermarkets in Taiwan. Its commercial members, accounting for only 40% of the total members, generate 60% of Costco’s total annual sales. CEO Richard Chan said that Costco Taiwan customers have significantly high brand loyalty. The continuation rate of annual membership is around 80%, the highest among Asian Costco stores. In general, the gross earning of Taiwan’s hypermarkets reaches 20 percent. However, Chan said that Costco Taiwan has compressed its gross earning to less than 14 percent.

Costco Taiwan has had difficulties in finding suitable locations that has hampered its expansion plan. Its sixth store which will be located in the Hsinchu Area (Taiwan’s Silicon Valley) is expected to be open by the end of 2008.”



Currently, Costco Wholesale is the only wholesale store that issues membership cards with an annual fee of NT\$1200 (approx. US\$37) in Taiwan. It differentiates itself from other chains by using American style management, high percentage of imported goods, and bulk packaging.

According to a 2006 AcNielsen market research, Taiwan is ranked as having the second highest hypermarket’s density across Asia with one store per 212,264 people. In 2006, Taiwan

hypermarkets generated nearly US\$4.4 billion in sales, a 1.6 percent increase from the previous year. Foreign operators, including Carrefour, RT Mart/Auchan, Aimai/Geant, and Costco, continue to dominate the Taiwan market, holding 81% market share, in terms of sales generated. Currently, there are 117 hypermarkets in Taiwan. Geant of France withdrew from the Taiwan market in September 2006. Since then Aimai/Geant has become a 100% locally-owned hypermarket chain operated by Taiwan’s Far Eastern Group.

Taiwan's hypermarket chains purchase from local importers, wholesalers, and manufacturers. However, the current tendency is to increase the volume of direct imports to avoid the higher costs related to broker fees and additional handling costs. U.S. suppliers can sell directly to these stores by contacting their purchasing managers. U.S. suppliers can obtain a list of major Taiwan hypermarket stores from the ATO Taipei.

Contact Information



Please see our website for more information on Taiwan market at www.usfoodtaiwan.org.